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May 13, 2002

96-45

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 - 12th Street, SW
Washington, DC 20554

RE: Selection of a Path for Disaggregation of Federal High Cost Universal Service Support.

Dear Ms. Dortch:

On behalf of Dakota Central Telecommunications Cooperative and Dakota Central Telecom I, Inc. please find enclosed the USF disaggregation path selection. Since the North Dakota Public Service Commission has stated it does not have jurisdiction over this matter, the USF disaggregation path selection for the listed companies are being filed directly with the FCC. Any questions or comments may be directed to me at the above-listed address and telephone number.

Sincerely,

James E. Howard, Jr.
Vice President Business Services
jhoward@jsitel.com

JEH:ds
Enclosure

cc: Mr. Keith Larson, Dakota Central Telecommunications Cooperative
JSI, Maryland

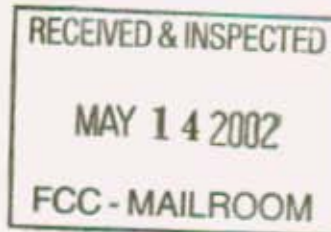
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HEADQUARTERS:

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Alpharetta, Georgia 30022
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May 10, 2002

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
Washington, D.C. 20554

RE: Selection of a Path for Disaggregation of Federal High Cost Universal Service Support for Dakota Central Telecommunications Cooperative and Dakota Central Telecom I (jointly SAC # 381610)

CC Docket Number 96-45

Dear Madam Secretary:

On behalf of Dakota Central Telecommunications Cooperative and Dakota Central Telecom I (jointly SAC# 381610), and pursuant to Section 54.315 of the Rules of the Federal Communications Commission ("FCC") and in accordance with FCC Docket No. 96-45, please accept this correspondence as official notification of Dakota Central Telecommunications Cooperative's election of a disaggregation path regarding its federal high cost universal service support. The North Dakota Public Service Commission has ruled that it does not have the authority to accept this disaggregation selection and therefore I am sending this election letter to you, pursuant to FCC rules.

Specifically, Dakota Central Telecommunications Cooperative elects the disaggregation option provided for in Section 54.315(d)(1) and commonly referred to as "Path 3". As such, Dakota Central Telecommunications Cooperative self-certifies to the Commission that it is using a disaggregation method consistent with FCC rules and is disaggregating support into no more than two cost zones per wire center; more specifically it is disaggregating support into two cost zones for its study area. An explanation of this method is attached, including all requisite information for a Path 3 election, as Appendix A.

630 5th Street North
P.O. Box 299
Carrington, ND 58421
office: 701.652.3184
toll free: 800.771.0974
fax: 701.674.8121

Pursuant to FCC rules, this election will remain in place for four years from the effective date of certification, unless either the North Dakota Public Service Commission or the FCC, on a self-initiated motion, or upon the motion of Dakota Central Telecommunications Cooperative or an interested party, petitions for a change to the elected disaggregation plan.

Your cooperation in this matter is greatly appreciated. Any questions or comments may be directed to me at the above-listed address and telephone number.

Sincerely,

A handwritten signature in dark ink, appearing to read "Keith A. Larson", with a long horizontal flourish extending to the right.

Keith A. Larson, CPA
CEO/General Manager, Dakota Central Telecommunications Cooperative

cc: Ms. Irene M. Flannery, Universal Service Administrative Company
2120 L Street, Washington, DC 20037

Mr. Jon Mielke, Executive Secretary, North Dakota Public Service Commission
State Capitol, 600 East Boulevard Avenue, Bismarck, ND 58505-0480

Appendix A

Methodology and Supporting Material for Dakota Central Telecommunications Cooperative's Federal Support Disaggregation and Targeting Plan SAC # 381610



This Appendix contains all the required information pertaining to Dakota Central Telecommunications Cooperative's self-certification election for disaggregation and targeting of federal universal service support. In Part A we describe the 14 specific requirements pertaining to Path 3 self-certification plans. In Part B we explain how Dakota Central Telecommunications Cooperative's disaggregation methodology and petition meet these requirements.

- A. Federal Rules for Disaggregation and Targeting of Federal Universal Service Support Under Path 3.
1. The FCC Rules specify that a carrier may file a disaggregation and targeting plan with its state commission along with a statement certifying that it is disaggregating support consistent with one of the following programs: (1) disaggregates support to the wire center level; (2) disaggregates support into no more than two cost zones per wire center; or (3) disaggregates consistent with a prior regulatory determination made by the state commission.
 2. The plan must be supported by a description of the rationale used, including the methods and data relied upon to develop the disaggregation zones, and a discussion of how the plan complies with the requirements of this paragraph. Such filing must provide information sufficient for interested parties to make a meaningful analysis of how the carrier derived its disaggregation plan.
 3. The plan must be reasonably related to the cost of providing service for each disaggregation zone within each disaggregated category of support.
 4. The plan must clearly specify the per-line level of support for each category of high-cost universal service support provided pursuant to 47 CFR §§54.301, 54.303, and/or 54.305 and/or Part 36, in each disaggregation zone.
 5. If the plan uses a benchmark, the carrier must provide detailed information explaining what the benchmark is and how it was determined. The benchmark must be generally consistent with how the total study area level of support for each category of costs is derived to enable a competitive eligible telecommunications carrier to compare the disaggregated costs used to determine support for each cost zone.
 6. Support available to the carrier's study area under its disaggregation plan shall equal the total support available to the study area without disaggregation.

7. The ratio of per-line support between disaggregation zones for each disaggregated category of support shall remain fixed over time, except as changes are allowed.
8. The ratio of per-line support shall be publicly available.
9. Per-line support amounts for each disaggregation zone shall be recalculated whenever the carrier's total annual support amount changes using the changed support amount and lines at that point in time.
10. Per-line support for each category of support in each disaggregation zone shall be determined such that the ratio of support between disaggregation zones is maintained and that the product of all of the carrier's lines for each disaggregation zone multiplied by the per-line support for those zones when added together equals the sum of the carrier's total support.
11. Until a competitive eligible telecommunications carrier is certified in a study area, monthly payments to the incumbent carrier will be made based on total annual amounts for its study area divided by 12.
12. When a competitive eligible telecommunications carrier is certified in a study area, per-line amounts used to determine the competitive eligible telecommunications carrier's disaggregated support shall be based on the incumbent carrier's then-current total support levels, lines, disaggregated support relationships, and, in the case of support calculated under Subpart K of this part, customer classes.
13. The specific filing requirements in the FCC rules specify that a Path 3 election shall submit to its state commission or the FCC and the Federal Universal Service Fund Administrator a copy of the self-certification plan including the information mentioned above. Furthermore, a Path 3 carrier must submit to the Administrator maps which precisely identify the boundaries of the designated disaggregation zones of support within the carrier's study area. USAC has specified how it wishes to receive maps. Their instructions can be found at the website <http://www.universalservice.org/hc/disaggregation>.
14. USAC requires that map images be sent in electronic format with either a jpg or gif filename format; that the dimension of the map be no larger than 650 pixels horizontal and 866 pixels vertical; that the file size be no larger than 300KB. The carrier name and study area code number are to be placed in the top right-hand corner of the image. USAC also requests that the maps be emailed to hcmaps@universalservice.org.

- B. Dakota Central Telecommunications Cooperative's Compliance with the Path 3 disaggregation requirements.

Requirement 1: The FCC Rules specify that a carrier may file a disaggregation and targeting plan with its state commission along with a statement certifying that it is disaggregating support consistent with one of the following programs: (1) disaggregates support to the wire center level; (2) disaggregates support into no more than two cost zones per wire center; or disaggregates consistent with a prior regulatory determination made by the state commission; or (3) disaggregates consistent with a prior regulatory determination made by the state commission.

Response 1: Dakota Central Telecommunications Cooperative meets this requirement by disaggregating support into two cost zones for its study area. Specifically, Dakota Central Telecommunications Cooperative has identified its most populated wire center and has disaggregated federal support for this wire center. Dakota Central's study area includes twelve (12) exchanges. The Carrington exchange is the most populated exchange and is the second smallest exchange in the study area. Thirty-five (35) percent of all study area access lines are in this exchange and the square mileage of this exchange amounts to only six (6) percent of the entire area served by Dakota Central. The Carrington exchange comprises Cost Zone A and the remaining exchanges within Dakota Central Telecommunications Cooperative's study area comprise Cost Zone B.

Option (3) listed in FCC rules does not apply because the North Dakota Commission has ruled that it has no authority to address disaggregation of federal universal service support.

Requirement 2: The plan must be supported by a description of the rationale used, including the methods and data relied upon to develop the disaggregation zones, and a discussion of how the plan complies with the requirements of this paragraph. Such filing must provide information sufficient for interested parties to make a meaningful analysis of how the carrier derived its disaggregation plan.

Response 2: In its analysis of its study area, Dakota Central Telecommunications Cooperative retained the consulting firm of John Staurulakis, Inc. ("JSI") to assist in the development of a Path 3 disaggregation plan. JSI is a nationally recognized consulting firm with over 40 years experience consulting experience for rural independent local exchange carriers. As part of its analysis, JSI confirmed from its general cost-study and analytical experience what the FCC has determined in various proceedings involving universal service costs; to wit, that density (access lines per square mile) is a significant cost driver for local loops.¹ Dakota Central Telecommunications Cooperative's

¹ The FCC has approved the use of density as a major cost determinant for non-traffic sensitive or fixed costs and has discussed low density as a distinguishing factor for rural local exchange carriers. See FIFTH REPORT & ORDER, Federal-State Joint Board on Universal Service; Forward-Looking Mechanism for High Cost Support for Non-Rural LECs, 13 FCC Red 21323, Rel. October 28, 1998. ORDER, Wyoming Public Service Commission: Petition for Waiver of Targeting Requirements Found in

experience in providing telecommunications service to its customers also confirms that low-density areas in its exchange area are relatively more costly to serve than high-density areas.

Dakota Central Telecommunications Cooperative's study area is comprised of twelve (12) exchanges. When the density of each exchange is compared, the results are quite dramatic and signify a significant difference between two subsets of its exchanges. Eleven of the twelve exchanges have a density, measured in lines or loops per square mile equal to or less than 1.4988. The twelfth exchange has a density of 8.9709: While still rural compared to large metropolitan areas, this twelfth exchange is relatively high-density compared with the remaining property served by Dakota Central Telecommunications Cooperative. Table 1 provides a density measure for each of the twelve exchanges.

Table 1
Exchange Density of
Dakota Central Telecommunications Cooperative

Exchange (sorted by Density)	Density (Working loops/Sq. Mile Served)
Edmunds	0.5818
Woodworth	0.7466
Grace City	0.8348
Streeter	0.9125
Windsor	0.9358
Sykeston	0.9508
Bowden	1.0253
Ypsilanti	1.2315
Courtenay	1.4001
Gackle	1.4308
Medina	1.4988
Carrington	8.9709

The density measure is calculated using access lines reported to the National Exchange Carrier Association ("NECA") by Dakota Central Telecommunications Cooperative and used by USAC for its 3Q:2002 filing with the FCC. The square mile figure for each

Sections 54.309 and 54.311 of the Commission's Rules, 16 FCC Rcd 5350, Rel. March 9, 2001. Rural Task Force Recommendation to the Federal-State Joint Board on Universal Service FCC 00-J4, CC Docket No.: 96-45, Rel. September 29, 2000. MEMORANDUM OPINION AND ORDER, Petition for Agreement with Designation of Rural Company Eligible Telecommunications Carrier Service Areas and for Approval of the Use of Disaggregation of Study Areas for the Purpose of Distributing Portable Federal Universal Service Support; Washington Utilities and Transportation Commission; Asotin Telephone Co.; et al., 15 FCC Rcd 9921, Rel. September 9, 1999. FURTHER NOTICE OF PROPOSED RULEMAKING, Federal-State Joint Board on Universal Service; Forward-Looking Mechanism for High Cost Support for Non-Rural LECs, 12 FCC Rcd 18514, Rel. July 18, 1997. REPORT AND ORDER, Federal-State Joint Board On Universal Service 12 FCC Rcd 8776, Rel. May 8, 1997.

Table 2
Density Index (DI) Values and Disaggregated Monthly Per-Line Support
Dakota Central Telecommunications Cooperative
3Q:2002 Study Area Monthly Per-Line Support Amount = \$24.58

Cost Zone	Access Lines	Square Miles	Density Index = $\frac{1/\text{Density}_{\text{czt}}}{1/\text{Density}_{\text{sa}}}$	Monthly Per-Line Disaggregated Support (HCL and LTS)
Zone A	1,848	206	0.1721	\$4.23
Zone B	3,435	3,215	1.4454	\$35.53
Study Area Total	5,283	3,421	1.0000	\$24.58

Current monthly per line loop support for the study area is \$24.58. (See Table 3 below) This amount includes federal programs specifically related to loop cost recovery: High Cost Loop ("HCL") Support and Long Term Support ("LTS"). Dakota Central Telecommunications Cooperative also receives support through the federal Local Switching Support ("LSS") program; however, Dakota Central Telecommunications Cooperative does not propose to allocate LSS using the DI because certain switching costs are variable and have not been proven conclusively to vary with density. Dakota Central Telecommunications Cooperative will continue to examine switching cost and in the event that it can isolate switching costs that are related to density, it requests the opportunity to modify its submission to disaggregate all or a portion of LSS using the DI.

The support amounts for Dakota Central Telecommunications Cooperative in the third quarter 2002 are identified in Table 3. (This amount does not include Interstate Common Line Support ("ICLS") because as of this date, ICLS is not yet reported).

Table 3
3Q:2002 Monthly Federal Universal Service Support
Dakota Central Telecommunications Cooperative
Reported Total Access Lines = 5,283

Program	Study Area Amount	Per-Line Amount
HCL	\$ 91,847	\$ 17.39
LTS	\$ 37,999	\$ 7.19
Sub-Total (Loop)	\$ 129,846	\$ 24.58
LSS*	\$ 46,898	\$ 8.88
TOTAL	\$ 176,744	\$ 33.46

* LSS per-line support is computed by dividing the study area amount by total lines. LSS is not disaggregated into cost zones at present. Therefore, every working loop in the study area receives the same amount of per-line LSS.

exchange was obtained from internal Dakota Central Telecommunications Cooperative plant records and can be verified using maps of the exchange areas.

Since density is an inverse measure of loop cost, *i.e.*, the higher the density measure, the lower the per unit cost for fixed costs, Dakota Central Telecommunications Cooperative has adopted a Density Index developed by JSI to disaggregate federal universal service loop support between two Cost Zones. Two Cost Zones appear sufficient for the study area because the density of the low-density zones is in a range of 0.5818 to 1.4988; whereas the high-density zone has a density of 8.9709. Cost Zone A includes the entirety of the Carrington exchange, comprising 1,848 access lines and 206 square miles of territory. Cost Zone B is comprised of the remaining low-density exchanges consisting of 3,435 access lines in 3,215 square miles of territory. The Density Index ("DI") is computed by dividing the inverse density measure for each Cost Zone by the inverse density measure for the entire study area. Thus, the DI for the entire study area is equal to 1.00. The DI for each Cost Zone identifies whether the Cost Zone cost is higher or lower relative to the study area total. The DI for Cost Zone A is equal to 0.1721, and the DI for Cost Zone B is equal to 1.4454. The relative allocation of cost as reflected in the DI is the basis used by Dakota Central Telecommunications Cooperative for disaggregating loop cost support.

The results of Dakota Central Telecommunications Cooperative's analysis provide a simple yet robust allocation of cost among Cost Zones. After the DI is calculated for each Cost Zone, the amount of monthly per-line support for each access line in a Cost Zone is equal to the study area average per-line support (known using USAC tables) multiplied by the Cost Zone's DI. Table 2 shows this calculation and the result derived using the most recent USAC data for Dakota Central Telecommunications Cooperative's study area.

Based on the foregoing, the disaggregation method used by Dakota Central Telecommunications Cooperative is simple in its computation and application, thus we believe it is a superior method to other methods that use complicated algorithms and that do not produce an improved result over the DI method that is worth the additive cost and effort.

Requirement 3: The plan must be reasonably related to the cost of providing service for each disaggregation zone within each disaggregated category of support.

Response 3: As described in Response number 2, the DI method of disaggregation is directly related to loop cost. Therefore, for HCL and LTS the DI method satisfies this requirement.

Requirement 4: The plan must clearly specify the per-line level of support for each category of high-cost universal service support provided pursuant to 47 CFR §§54.301, 54.303, and/or 54.305 and/or Part 36, in each disaggregation zone.

Response 4: The plan described above (See Tables 2 and 3) clearly specify per-line monthly support for each category of federal support. The DI multiplied with per-line study area support for each category provides clear per-line support for each Cost Zone. Only HCL and LTS are disaggregated using the DI method. LSS is not disaggregated and ICLS data is not yet available. When ICLS is received, it should be disaggregated using the DI method because it is directly related to loop cost.

Requirement 5: If the plan uses a benchmark, the carrier must provide detailed information explaining what the benchmark is and how it was determined. The benchmark must be generally consistent with how the total study area level of support for each category of costs is derived to enable a competitive eligible telecommunications carrier to compare the disaggregated costs used to determine support for each cost zone.

Response 5: No benchmark, such as that used in non-rural proxy models, is used with the DI method. Therefore this requirement does not apply to Dakota Central Telecommunications Cooperative at this time.

Requirement 6: Support available to the carrier's study area under its disaggregation plan shall equal the total support available to the study area without disaggregation.

Response 6: By construction, the sum of the DI allocation for each Cost Zone will equal the total support available to the study area. This fact is shown above by comparing the total support in Table 2 with the total study area support (sub-total loop) in Table 3.

Requirement 7: The ratio of per-line support between disaggregation zones for each disaggregated category of support shall remain fixed over time, except as changes are allowed.

Response 7: The ratio of per-line support between Cost Zones will remain fixed over time. Adjustments to the per-line support would normally adjust with changes to the number of lines served in each Cost Zone. The change in lines served would automatically change the DI for each Cost Zone. However, to satisfy this requirement, the DI for each Cost Zone will remain fixed until changes are allowed.

Requirement 8: The ratio of per-line support shall be publicly available.

Response 8: The ratio of per-line support is publicly available with the filing of this election.

Requirement 9: Per-line support amounts for each disaggregation zone shall be recalculated whenever the carrier's total annual support amount changes using the changed support amount and lines at that point in time.

Response 9: While the DI shall remain fixed over time, pursuant to Requirement Number 7, the study area per-line amount that is multiplied by the DI is reported by USAC every quarter. Therefore, this ability to recalculate support for each Cost Zone based on the per-line study area amount can be performed quarterly.

Requirement 10: Per-line support for each category of support in each disaggregation zone shall be determined such that the ratio of support between disaggregation zones is maintained and that the product of all of the carrier's lines for each disaggregation zone multiplied by the per-line support for those zones when added together equals the sum of the carrier's total support.

Response 10: As with Requirement Number 7, the DI shall remain fixed for each Cost Zone. The additive property of the DI ensures that category support and total support will equal the sum of the carrier's total support.

Requirement 11: Until a competitive eligible telecommunications carrier is certified in a study area, monthly payments to the incumbent carrier will be made based on total annual amounts for its study area divided by 12.

Response 11: USAC is responsible for this requirement. Until such time when/if a competitive eligible telecommunications carrier is designated in the Dakota Central Telecommunications Cooperative study area, the current distribution of federal universal service support shall remain in place.

Requirement 12: When a competitive eligible telecommunications carrier is certified in a study area, per-line amounts used to determine the competitive eligible telecommunications carrier's disaggregated support shall be based on the incumbent

carrier's then-current total support levels, lines, disaggregated support relationships, and, in the case of support calculated under Subpart K of this part, customer classes.

Response 12: USAC is responsible for this requirement.

Requirement 13: The specific filing requirements in the FCC rules specify that a Path 3 election shall submit to its state commission or the FCC and the Federal Universal Service Fund Administrator a copy of the self-certification plan including the information mentioned above. Furthermore, a Path 3 carrier must submit to the Administrator maps which precisely identify the boundaries of the designated disaggregation zones of support within the carrier's study area. USAC has specified how it wishes to receive maps. Their instructions can be found at the website <http://www.universalservice.org/hc/disaggregation>.

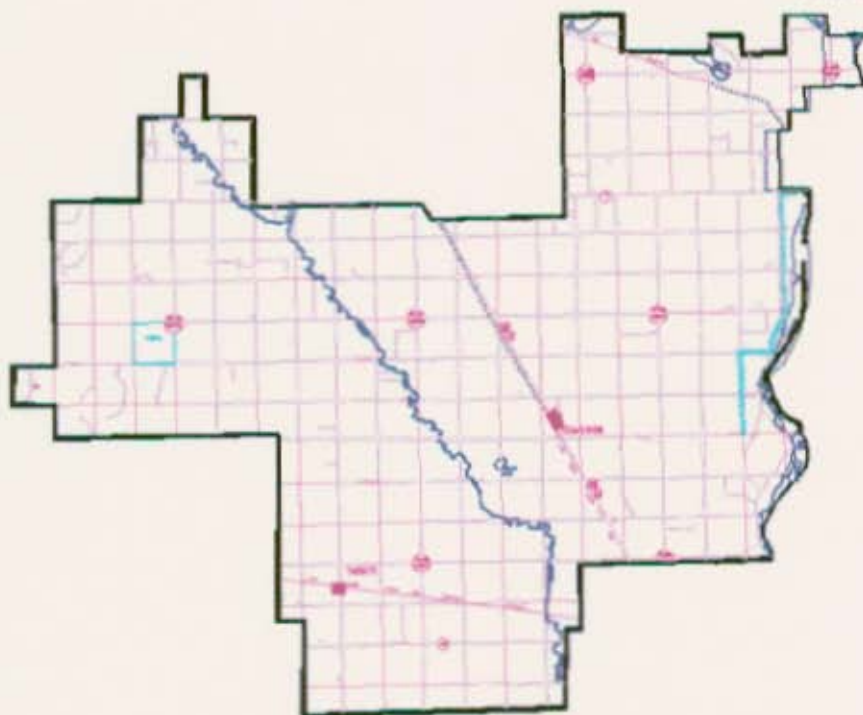
Response 13: The information contained in this Appendix A describes the disaggregation plan selected. Said information is being sent to the FCC inasmuch as the state commission has ruled that it has not authority to review federal disaggregation elections. Maps for each exchange are also provided. Cost Zone A contains the Carrington exchange. All other exchanges are in Cost Zone B.

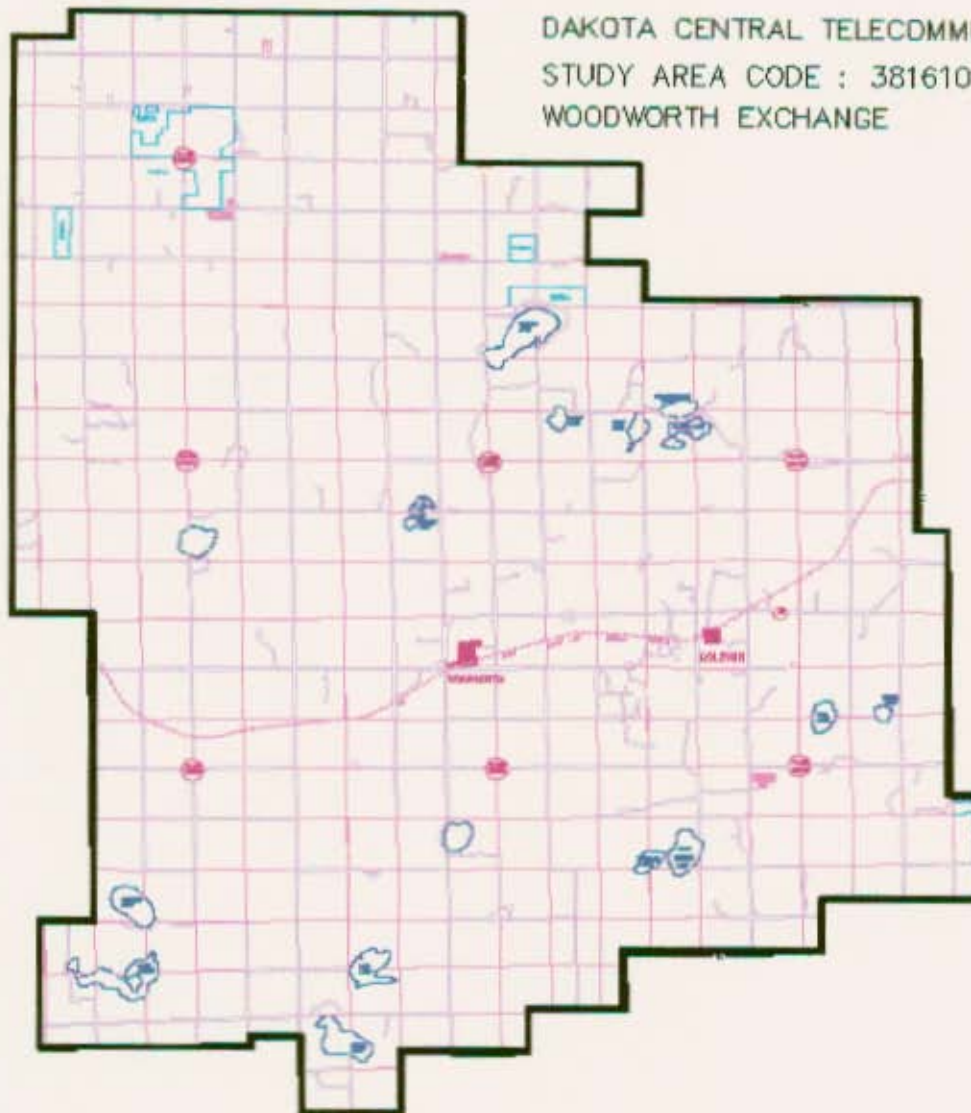
Requirement 14: USAC requires that map images be sent in electronic format with either a jpg or gif filename format; that the dimension of the map be no larger than 650 pixels horizontal and 866 pixels vertical; that the file size be no larger than 300KB. The carrier name and study area code number are to be placed in the top right-hand corner of the image. USAC also requests that the maps be emailed to hcmaps@universalservice.org.

Response 14: Upon sending a copy of this letter and Appendix, map images for each exchange will be sent in electronic format to the email address provided. To ensure that USAC receives the email, Dakota Central Telecommunications Cooperative will request that USAC provide an email response acknowledging receipt. However, Dakota Central cannot guarantee that USAC will provide the electronic equivalent of "Stamp and Return." Whatever response the company receives from USAC will be kept in its disaggregation file at its offices in Carrington, North Dakota. In addition to filing map electronically, a paper-copy of the maps is attached to this Appendix.

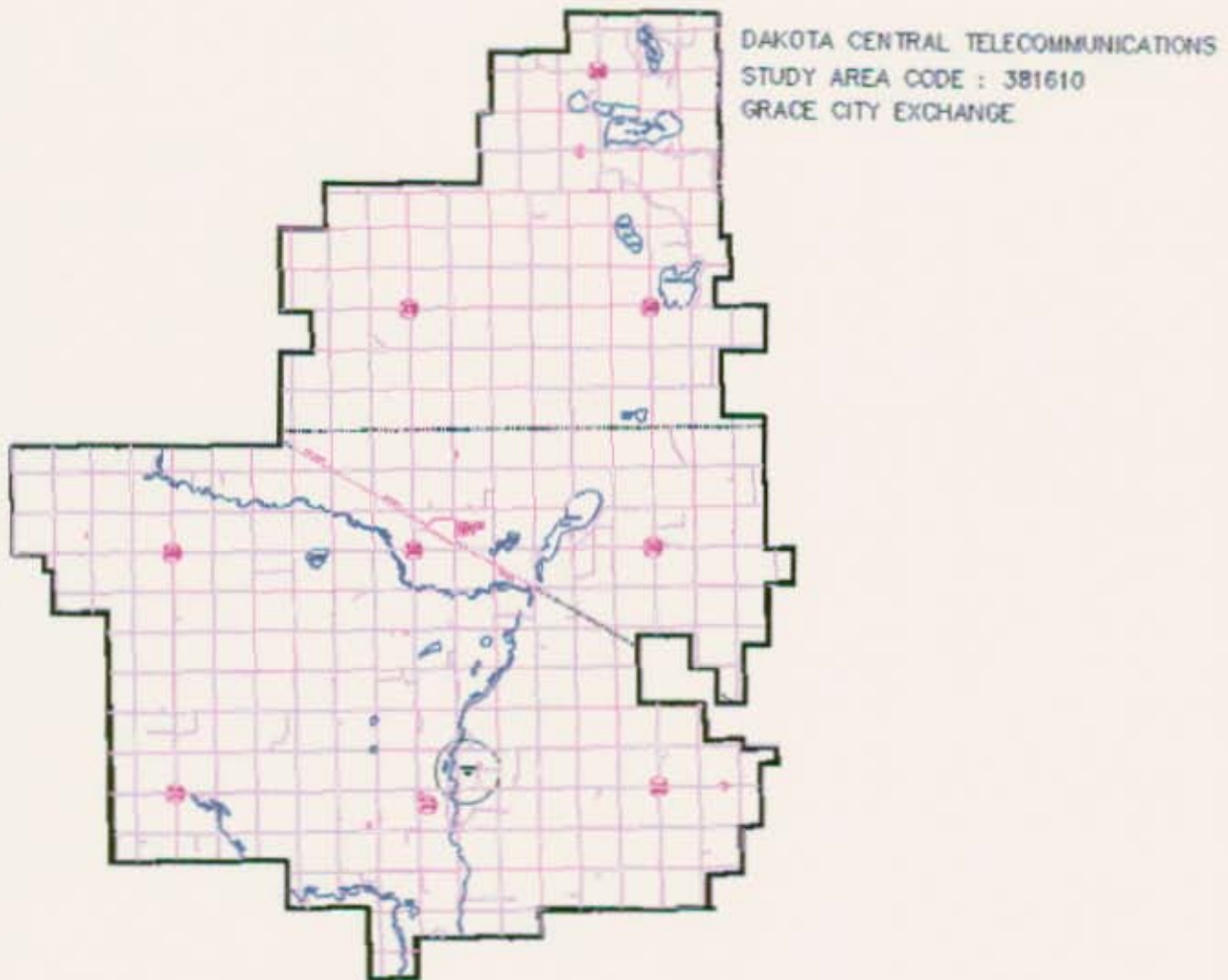
Having satisfactorily responded to each requirement for Path 3 certifications, Dakota Central Telecommunications Cooperative herewith self-certifies its disaggregation and targeting of federal universal service support pursuant to 47 CFR 54.315(d).

DAKOTA CENTRAL TELECOMMUNICATIONS
STUDY AREA CODE : 381610
EDMUNDS EXCHANGE

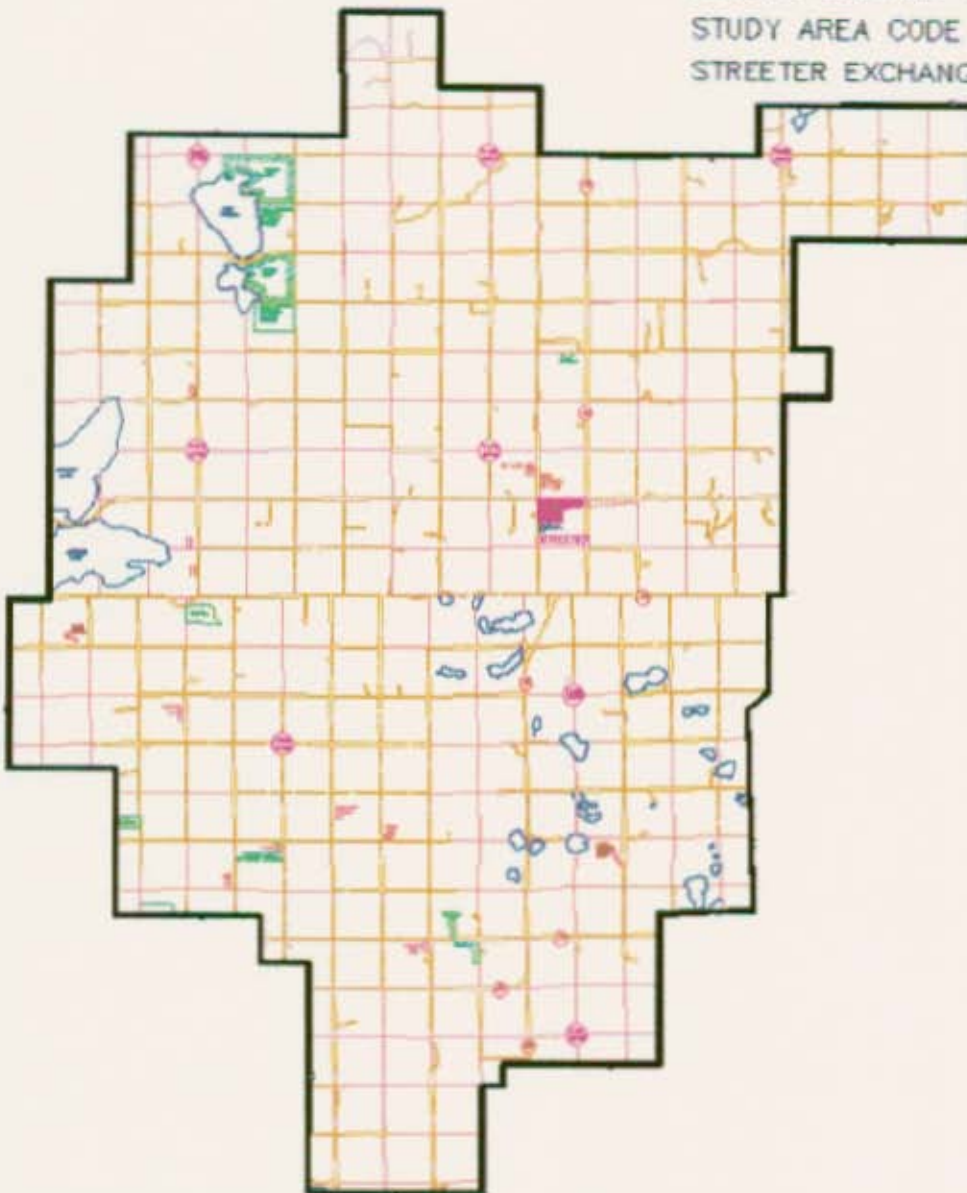


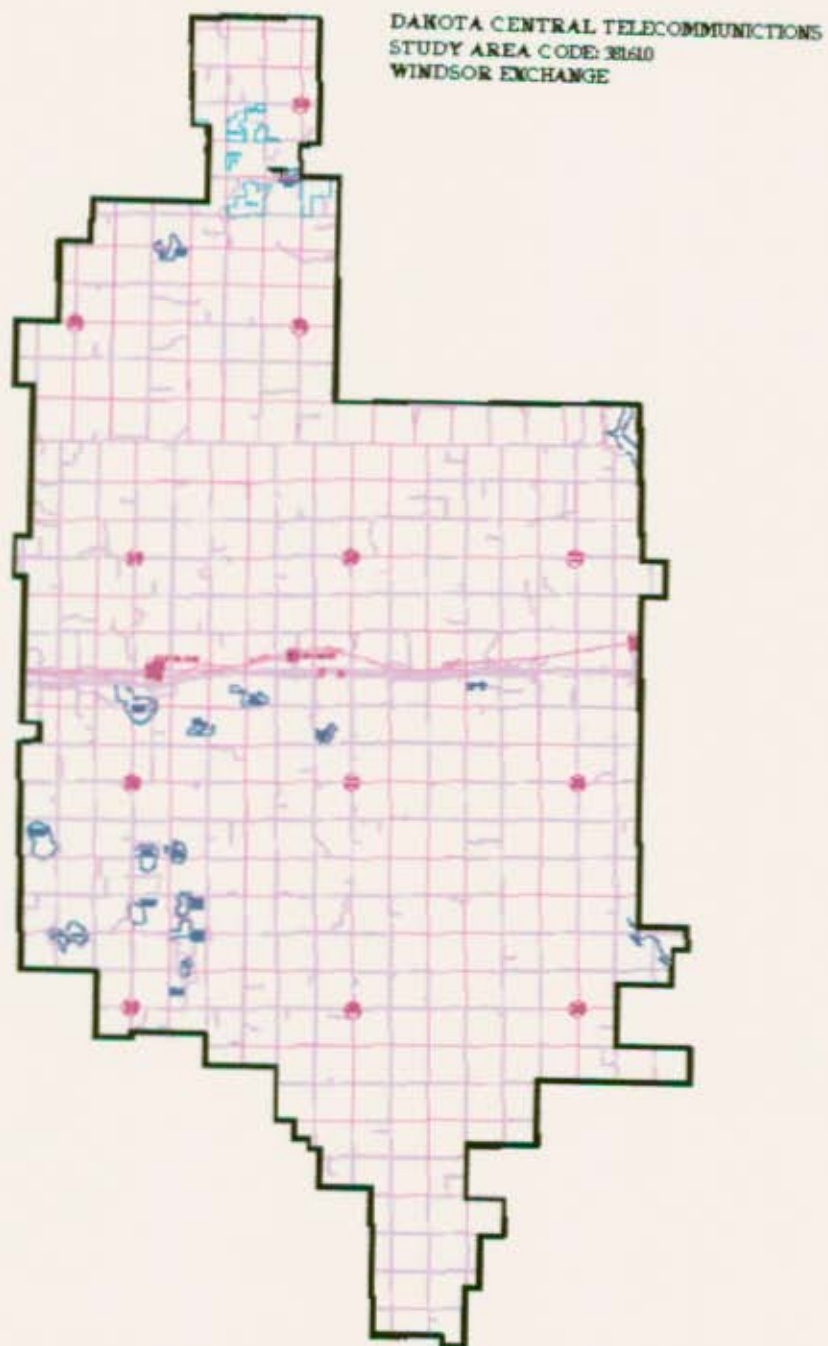


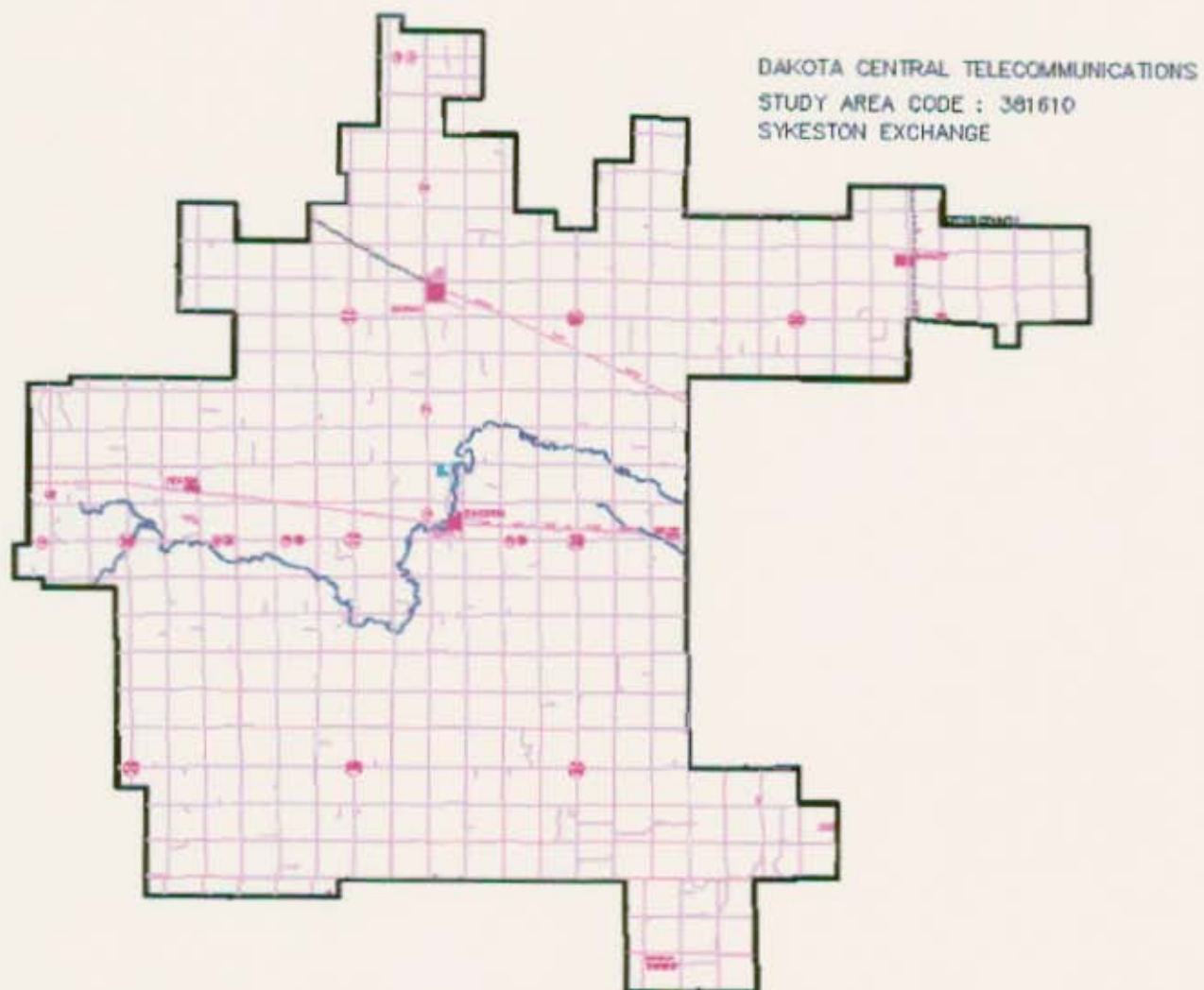
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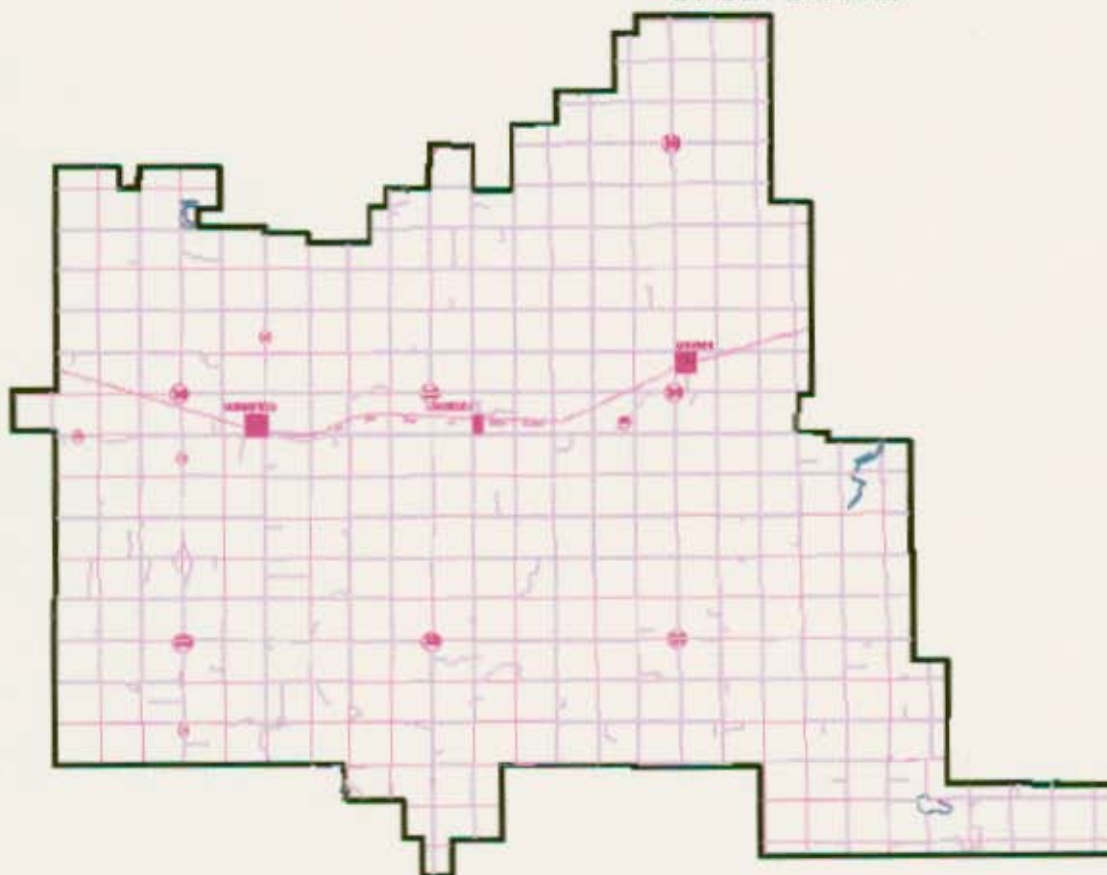
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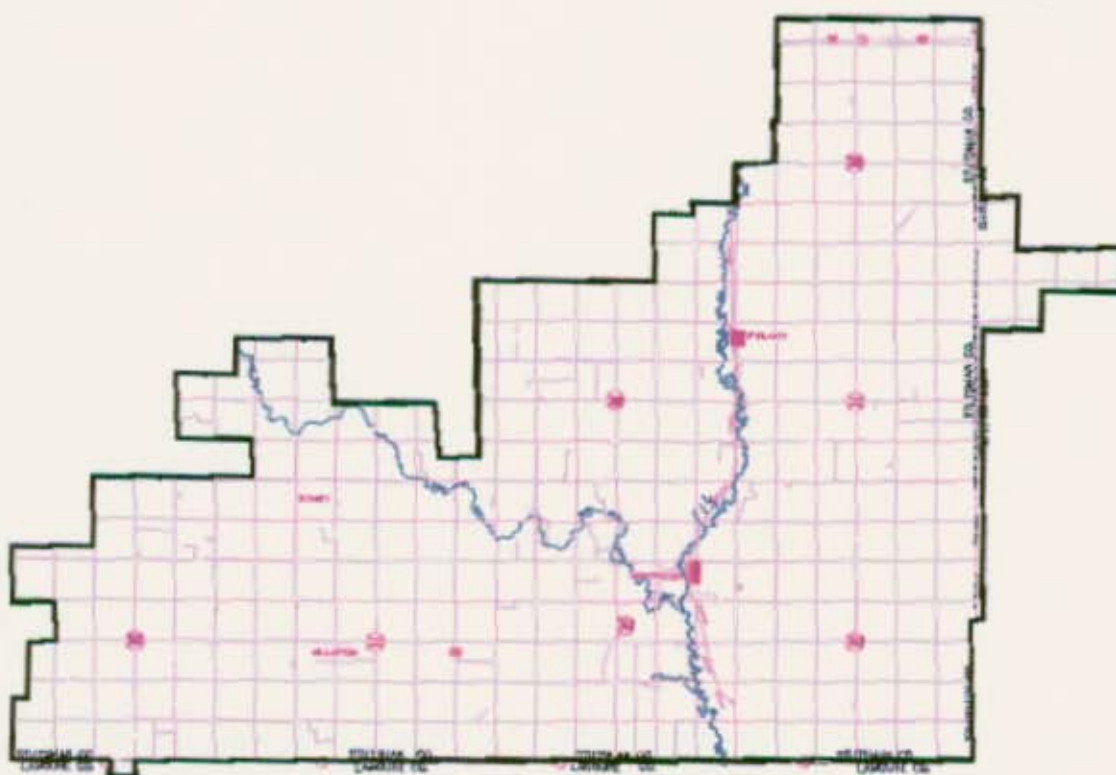


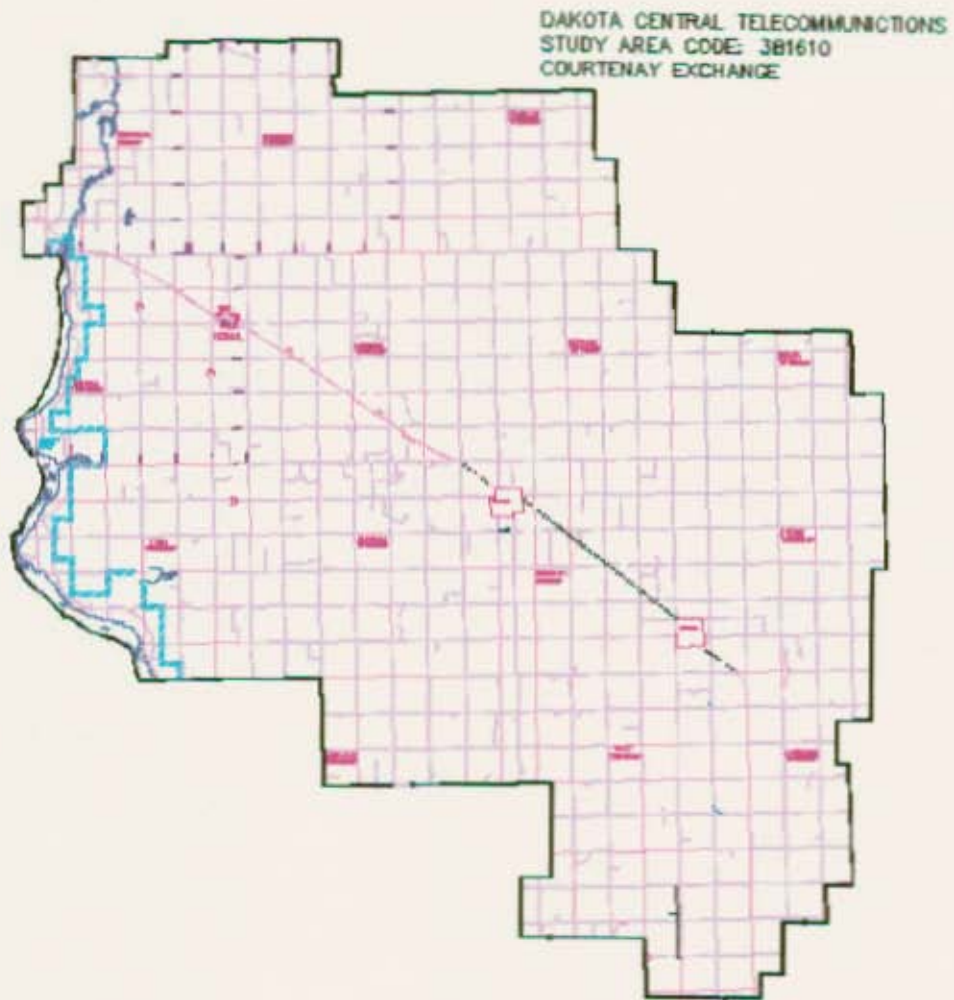


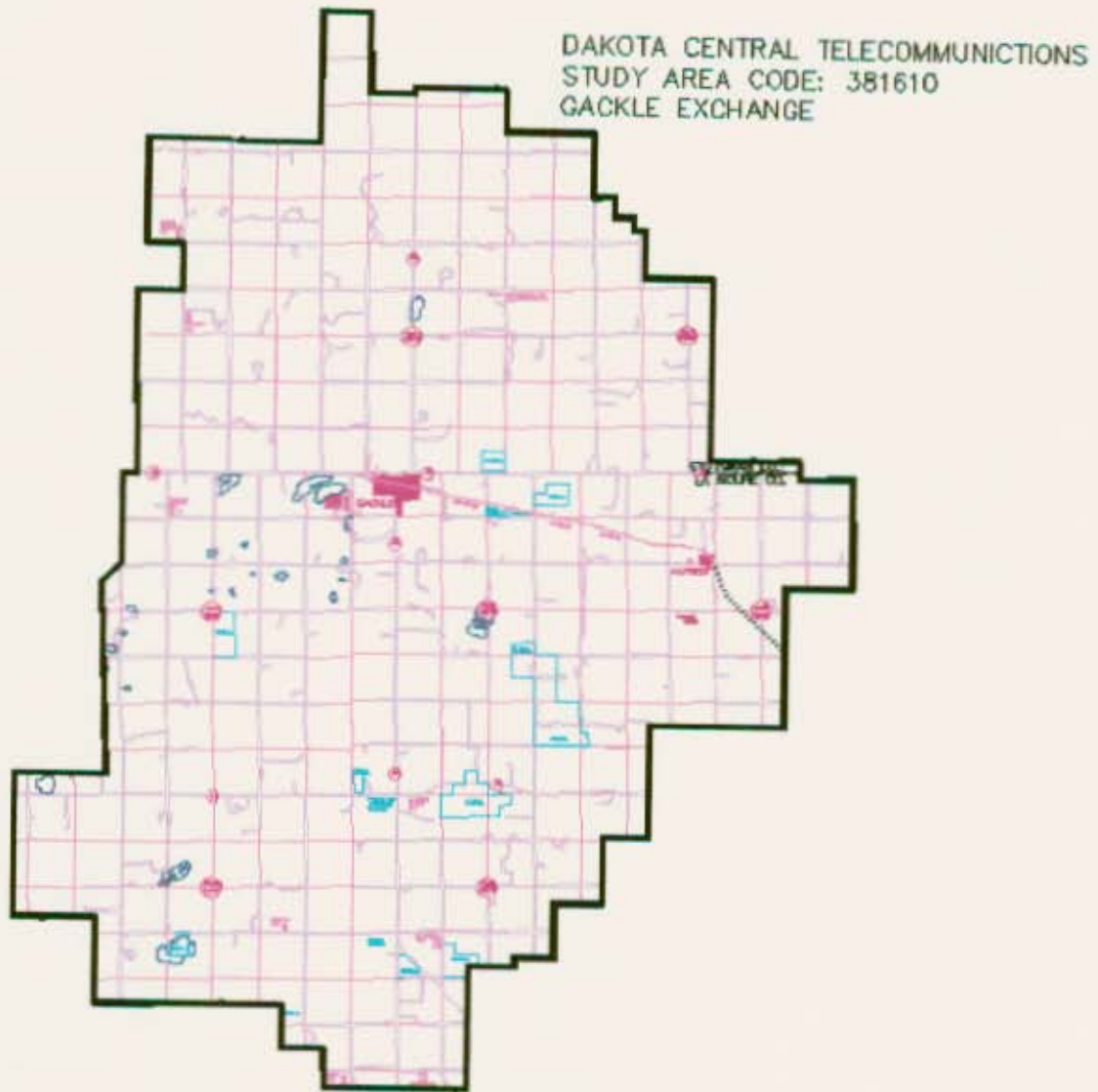
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STUDY AREA CODE : 381610
BOWDON EXCHANGE



DAKOTA CENTRAL TELECOMMUNICATIONS
STUDY AREA CODE : 381610
YPSILANTI EXCHANGE







DAKOTA CENTRAL TELECOMMUNICATIONS
STUDY AREA CODE : 381610
MEDINA EXCHANGE

